



Medicaid Expansion Buy-Down

Department of Social Services

Overview

Last year, South Dakota voters approved Medicaid Expansion in South Dakota. As a result of Medicaid Expansion, the state will receive a 5% enhancement on the federal share of costs for the existing Medicaid population until FY2026. During the 2023 Legislative Session, Governor Noem recommended, and the Legislature approved, that these savings be used to offset the cost of Medicaid Expansion to get a better understanding of actual costs and utilization.

Medicaid Expansion Buy-Down

Because Medicaid was expanded, the federal government will pay 5% more of the healthcare costs for the existing Medicaid population until FY2026. Based on Governor Noem’s FY2025 recommended budget, the savings from the 5% enhancement to the Federal Medical Assistance Percentage (FMAP) rate will result in \$64,291,858 in general fund savings.

Governor Noem’s budget recommendation includes funding to plan ahead for the full cost of Medicaid Expansion, including the loss of the 5% enhanced FMAP:

- During the 2023 session, the Legislature committed \$11,400,000 in general funds to prepare for the end of the enhanced FMAP in FY2026.
- The Governor is recommending an additional \$18,341,970 in general funds be dedicated to buy-down the cost of Medicaid Expansion once the 5% enhancement ends.

By setting aside resources now, we will ensure that the state has the resources needed to fill the cost of the 5% enhanced FMAP in a fiscally responsible way.

